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North Korean Foreign Policy Objectives: South Korea, the Major Powers, and the Third World

Special National Intelligence Estimate

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NORTH KOREAN FOREIGN POLICY
OBJECTIVES: SOUTH KOREA,
THE MAJOR POWERS, AND
THE THIRD WORLD

Information available as of 20 June 1985 was used
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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

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SCOPE NOTE

North Korea's pursuit of dialogue with South Korea and P'yong yang's more activist foreign policy of the past 18 months raise the question of whether the North is contemplating real change in its longstanding goals on the peninsula. This Estimate explores the motivations behind North Korea's recent diplomatic initiatives and addresses the likely implications for the next 18 months.

Implicit in any assessment of North Korean intentions is the question of the military balance on the peninsula.

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KEY JUDGMENTS

North Korea's dialogue with South Korea and its more activist foreign policy suggest an experimental, tactical effort in pursuit of P'yongyang's basic goals. They remain:

- To reunify all of Korea under its control.
- To deny full recognition of South Korea as a legitimate entity.
- To gain the continuing support of the USSR and China in making North Korea an ever-stronger member of the Communist world community, while still retaining its fundamental independence.

North Korea's overtures to Seoul and the West, and the realignment of its ties to China and the Soviet Union, arise from certain serious problems at home and abroad:

- Domestically, Kim Il-song's need to ensure the transfer of top political power to his son, Kim Chong-il; and North Korea's need to invigorate and modernize an ailing economy that is being outstripped by that of the Republic of Korea (ROK).
- Abroad, the facts that South Korea's economic and diplomatic positions are growing stronger; the United States has reaffirmed its ties to the ROK, and its willingness to protect US security interests in Northeast Asia; both Beijing and Moscow continue to expand their dealings with Seoul; and Japan is strengthening its support of the ROK.

North Korea's foreign policy overtures to Seoul and the West feature less confrontational methods, which it hopes will:

- Improve North Korea's image, both as a means of weakening the West's almost exclusive support for Seoul and of gaining direct contacts with the United States.
- Solicit new trade and aid from both West and East to boost North Korea's economic growth.

P'yongyang is also seeking to counter any movement by Communist states, China in particular, to expand dealings—and possibly diplomatic relations—with the ROK while strengthening its own position. Moscow, despite suspicions about P'yongyang's unpredictability

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by delivering MIG-23s has made a significant new gesture toward P'yongyang while simultaneously improving the Soviet posture in Northeast Asia.

P'yongyang will almost certainly continue to make tactical overtures to Seoul and the West while assessing the costs and opportunities. We believe that the North would back away from its enthusiasm for talking to South Korea in the event that:

- It judged that its dealings with the South had only emboldened Communist countries to pursue their own dealings with Seoul. By the same token, should the North judge that its efforts had not elicited significant Western gestures, P'yongyang might halt the dialogue.
- Severe political instability should develop in the South, or the ROK remained adamantly inflexible in its negotiations with North Korea.

A return to a more confrontational posture, particularly one involving further terrorist actions against South Korea, might occur if P'yongyang should fail in its attempt to relocate the Asian Games and the Olympics from Seoul.

For the United States, P'yongyang's overtures do offer opportunities to probe for meaningful policy changes, and to encourage North Korea to move further away from a confrontational approach. Exploitation of such opportunities will of course have to navigate certain rocks and shoals, among them the danger that encouraging greater flexibility in Seoul's approach could, as in the past, become a destabilizing factor in the South Korean domestic picture.

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DISCUSSION

Introduction

1. Major and regional powers alike recognize that the Korean Peninsula remains a danger point because of North Korea's pursuit of reunification on its own terms. The peninsula is the one area where the direct interests of all the major powers in East Asia converge and is the likeliest place for US forces to become directly involved in the early stages of a conflict. Because of Korea's strategic setting and the strength of the opposing Korean forces, China or the Soviet Union could also be quickly drawn into a shooting war on the peninsula.

2. Within this context, the current North Korean push for dialogue with South Korea, begun last year, is not unprecedented, although it represents a departure in P'yongyang's usual way of dealing with Seoul (see inset). These gestures have coincided with foreign policy moves over the past 18 months, as exhibited by:

- Offers to speak with the United States and South Korea in a three-party forum.
- P'yongyang's moves to improve relations with Moscow.
- Somewhat cooler public treatment of its relations with Beijing even as the Chinese are brokering P'yongyang's bid for talks with Washington and Seoul.
- New solicitations for expanded economic ties to and investment from the West.

3. This calculated broadening of North Korea's approach raises the question of whether P'yongyang's longstanding goals on the peninsula are undergoing real change. North Korea's history of tactical flexibility toward its reunification goal may predispose us to understate the potential for fundamental change in P'yongyang. On the other hand, our lack of hard information on how P'yongyang thinks its choices through increases the risk of attaching undue significance to what may be essentially cosmetic changes. Indeed, the North's menacing posture toward the South persists beyond the narrow confines of the dialogue. Wherever the truth lies, we can identify a number of domestic and regional developments that appear to be motivating the North's more activist foreign policy.

Pursuing Dialogue With the South

North Korea's dramatic offer of flood relief aid in September 1984 set the stage for renewed contacts with the South. North and South Korea engaged in a fitful dialogue during the early 1970s, and briefly again in 1980, but the current approach departs from past precedent in several ways:

- P'yongyang has been far more forthcoming in addressing the South by its formal title, for example, and projecting an image of moderation in its dealings within the dialogue channel.
- The North has been willing to pursue a variety of contacts, including discussions related to sports, trade exchanges, humanitarian issues, and parliamentary meetings.

Aside from these elements, there are signs reminiscent of past North Korean tactics. P'yongyang has strung the contacts out over an extended period, with little substantive progress since the relief transfers in September 1984:

- The North's effort to use the dialogue to attract US attention seems implicit in its postponement of contacts on the pretext of the US-South Korean Team Spirit exercise in early 1985.
 - An early indicator of trouble as South Korea enters a period of domestic political difficulty appears to be the North's bid to bring the South Korean opposition into the dialogue.
-

Pressures and Responses

Domestic Catalysts to Change

4. *The Succession.* This issue is playing a larger role in North Korean policymaking as Kim Il-song, now 73, moves ahead with his 12-year campaign to groom his son Kim Chong-il as a replacement. The younger Kim has assumed a higher profile in domestic affairs, especially the direction of the economy. We believe he may take over one of his father's two main roles, as head of the Korean Workers' Party or as chief of state, when the next party congress is held, probably some time in 1986.

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5. We have only sketchy intelligence about internal North Korean views of the succession, but we believe the tensions normally generated by such transitions in other countries are being replayed in North Korea. In any event, the greater attention to Kim Chong-il coincides with the North's foreign policy activism across the board. The elder Kim may see his legacy served by making his son's passage a little easier. Thus he may sense in this transition period the need to engineer the kind of actions—pursuing dialogue with Seoul, realigning his position between Moscow and Beijing, and breaking out of his isolation—that his successor might find more difficult, if not impossible, to initiate.

6. Kim Il-song probably has greater latitude in taking such actions to prepare the ground for the succession than his son will have on assuming power. For the succession to proceed smoothly, ultimately Kim Chong-il must control key institutional forces in North Korea, particularly the military. In forestalling any potential challengers to this unorthodox transition, he must heed a corporate military identity that has been shaped by the drive for reunification and Kim Il-song's prickly independence. Indeed, some members of the power structure may have been working against a change in policy toward the South. The tougher media line toward North-South talks following the defection in November 1984 of a Soviet diplomatic trainee at Panmunjom comes to mind. It is conceivable that military hardliners were working out their frustration at the double blow of dialogue with the South and of disproportionate North Korean casualties sustained during the defection.

7. **Economic Problems.** We believe economic difficulties continue to have a prominent place in shaping North Korea's agenda, and that P'yongyang may view them with increasing uneasiness as the succession approaches. Economic problems appeared more pressing to the North Korean leadership as it wound down its most recent seven-year plan (1978-84) considerably short of its goals. Major shortages of coal, electric power, and transport are shutting down factories for considerable periods. Many construction projects are far behind schedule, and in some cases only a fraction of export commitments are being honored.

8. As part of the preparations for the next economic plan, which we believe will begin on a delayed basis in 1986, the North Korean leadership has been soliciting new commitments of economic support from its allies. [redacted] both China and the Soviet Union are in the process of negotiating new aid

agreements with North Korea, but this aid will not meet all of P'yongyang's requirements.

9. Consequently, the North seems to be casting about for new approaches to its economic problems. North Korean officials have expressed interest in Chinese economic initiatives but have said they do not plan to adopt some features. P'yongyang adopted a joint-venture law in 1984 that follows the Chinese model closely, and it is beginning to tie wages to worker productivity. However, more full-scale reforms and efforts to decentralize are not yet evident. Despite appeals for increased trade with the West, P'yongyang's efforts in 1984 to make payments on its outstanding debt have not been sustained; such efforts to pay off its external debt are essential if North Korea is serious about attracting Western trade and business.

The Changing Northeast Asian Security Environment

10. **Seoul's Improving Position.** We believe Seoul's political, economic, and diplomatic health plays an important role in how P'yongyang assesses its options. Seoul's growing economic and diplomatic prestige is evident in its hosting several international events, including the Asian Games in 1986 and the Olympics in 1988. The need to divert attention from the Rangoon incident undoubtedly influenced the North to pursue both the tripartite initiative and subsequent North-South contacts. North Korea's initiation of the dialogue last year suggests P'yongyang wanted to regain the initiative at a time when most of the cards were going Seoul's way.

11. **Calculations About the United States.** We know that North Korea has wanted talks with the United States for many years. P'yongyang has consistently called for a peace treaty that would lead to the withdrawal of US military forces from the South. Korean reunification along confederal lines, the North contends, could then follow. P'yongyang must have viewed with dismay the strengthening of the US security tie to the South at the onset of this decade. P'yongyang probably sensed that the prospects for direct contact with the United States would recede even further unless it introduced some new flexibility into the equation. Over the term of this Estimate, P'yongyang certainly calculates that a US military withdrawal is unlikely.

12. The intensity of P'yongyang's desire to break through to the United States via the tripartite proposal is suggested by its promise to treat South Korea as a full and equal partner and the dropping of preconditions for talks. P'yongyang's major interests in pursuing talks include the conversion of the armistice into a

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US-North Korean peace treaty that would then set the stage for withdrawal of US forces. P'yongyang has also portrayed the fledgling North-South dialogue as directly responsive to US concern that inter-Korean contacts occur before any broader discussions are considered.

13. *Evolving Chinese Interests.* Beijing's attention to the Korean question has increased over the past few years, presenting P'yongyang with both challenges and opportunities. We believe China's willingness to deal overtly with Seoul in international contexts evokes concern in P'yongyang. Bilateral Chinese-South Korean trade is in the range of \$800 million annually, topping the flow of goods between China and North Korea. Much of this trade is still indirect, but its sheer volume, at a time when China is also regularizing sports contacts and dealing with South Korea in emergency situations, is conferring on Seoul a degree of de facto Chinese recognition.

14. The North, in our view, must also be worried about China's closer ties to the West, particularly signs of closer US-Chinese military cooperation. Indeed, there is a strategic divergence between the North and China insofar as Beijing seems to view the US force presence in Northeast Asia as a stabilizing influence as well as an important counterweight to Soviet military power. P'yongyang has tried to turn Sino-US ties to its advantage by using Beijing to broker its initiative for three-way talks with the United States and Seoul. In so doing, P'yongyang also may be seeking to tie Chinese concern over Korean tensions to a scenario of North Korea's choosing, rather than one that could emerge in the context of greater US-Chinese cooperation.

15. We judge that Beijing's brokering of negotiation proposals on behalf of P'yongyang probably has given the Chinese increased opportunity to present their views to North Korea but little real leverage. Chinese officials often assert they must handle even perfunctory issues circumspectly, despite their provision of significant amounts of economic and military aid over the years. Chinese knowledge of North Korean military affairs and internal politics also appears quite limited. We doubt this picture will change significantly in the foreseeable future; given P'yongyang's recent attention to Moscow, we suspect that even China's modest influence over the North could well slip.

16. *Evolving Soviet Interests.* P'yongyang may have wanted to inject greater balance in its relations with China and the Soviet Union even before Brezhnev's departure from the scene in 1982 or the new flexibility in Sino-Soviet relations gave P'yongyang

greater latitude to alter its behavior toward its two Communist allies. The quick leadership turnover in the Andropov period temporarily slowed North Korean efforts to put the relationship on a better footing. Even so, Kim Il-song's visit to Moscow in May 1984, the signing of a new border treaty, greater North Korean support for Soviet positions on socialist solidarity and Indochina, coordinated intelligence overflights of the peninsula, and visits of MIG-23s to North Korea are testimony to progress over the past year.

17. P'yongyang's calculations, in our view, invariably encompass the prospect of greater Soviet economic and military assistance as well as explicit recognition of Kim Chong-il's special status. In addition, P'yongyang may wish to signal Beijing and Washington that it is not dependent on, or fettered by, its Chinese connections. In this sense, the North probably views its better relationship with Moscow as an insurance policy against US-Chinese "collusion" on the peninsula. We also suspect that P'yongyang is pursuing Moscow in part in order to keep within bounds Soviet willingness to deal with Seoul, even in the limited contexts in which contacts have taken place so far. Finally, we believe that the North Koreans may simply be trying to get ahead of the power curve to create new options for themselves in light of the thaw between China and the Soviet Union. Sensing a changing relationship between these two major powers in the region, P'yongyang undoubtedly realizes it cannot stand pat. It may wish to create more flexibility for itself, lest it be left behind by developments over which it may have no control and little insight.

18. Soviet suspicions of P'yongyang's unpredictability linger, but Moscow may be willing to add to the momentum of improved atmospherics in the bilateral relationship through increased economic and military assistance. We believe that it will carefully weigh the size and quality of any offerings in order to avoid dramatically upsetting the regional military balance, encouraging the North to attack the South, or putting Sino-Soviet relations at risk. We believe that the Soviets view the delivery of MIG-23s in mid-May in the primary context of meeting a longstanding North Korean demand. In a broader sense, Moscow may also be seeking via improved relations with North Korea to improve its posture in Northeast Asia overall. The Soviets apparently judge the time is ripe to resume the unofficial ties with Seoul that came to a halt with the Soviet shootdown of the Korean airliner in September 1983. Moscow probably also has its eye on the 1988 Olympics as well. We believe that China's lead in broadening contacts with South Korea allows Moscow to view resuming its contracts with Seoul as less risky than in the past.

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19. *Misgivings Over Tokyo's Policies.* From P'yongyang's perspective, Japanese policies toward defense and security issues are a cause for concern. North Korea undoubtedly views even a modestly expanding Japanese defense effort—the trend that will soon take defense expenditures beyond the 1-percent-of-GNP threshold, the basing of F-16s by the United States in northern Japan, and expanded joint exercises—as a negative development.

20. While North Korea is also disturbed by the improvement of Japanese–South Korean relations initiated by Prime Minister Nakasone, P'yongyang has failed to devise a strategy for forging its own closer ties with Tokyo. The partial sanctions that Japan imposed following the Rangoon bombing account in part for a lack of progress in seriously wooing Seoul's second-most-important ally, but we are struck by the apparent North Korean ambivalence in improving relations. North Korea has missed its last three debt payments to Japan, reversing an earlier policy of giving Tokyo priority treatment, and has not reverted to its quest during the late 1970s to establish an official trade office in Tokyo.

Continuities in Behavior

21. *On the Propaganda Front.* Its diplomatic initiatives of 1984 and 1985 notwithstanding, North Korea continues to pursue a number of activities and to iterate propaganda lines that are consistent with neither accommodation with South Korea nor an opening to the West:

- P'yongyang is still generally denigrating the South Korean leadership with which it professes a desire to negotiate.
- North Korea is sustaining a diplomatic and propaganda campaign to undermine Seoul's position as host of the 1988 Olympics.

22. *On the Military Front.* North Korean offensive military capabilities, meanwhile, are being strengthened with a reorganization of its ground forces:

- Since 1980, P'yongyang has reorganized and redeployed forward a major part of its ground forces to improve their offensive combat capability. There has been a permanent shift of armored and mechanized forces closer to the Demilitarized Zone (DMZ).
- P'yongyang has expanded and reorganized its reserves and militia and equipped them with heavier weapons—improving their ability to de-

fend rear areas and coasts. This has increased North Korean offensive capabilities by releasing more regular Army units from rear area defense responsibilities, allowing them to be used as mobile or offensive forces.

23. North Korea continues to emphasize offensive operations in its training, and the disposition of its ground forces near the DMZ shows a relative neglect of preparations for defense:

- Artillery is emplaced very close to the DMZ, where it can fire deep into South Korea but would be captured or rendered useless by even a shallow advance of South Korean ground forces.
- The North has built few antitank barriers near the DMZ.

24. *In the Third World.* In the Third World, P'yongyang has pursued less blatant tactics to undercut Seoul in the international community but is still competing for diplomatic recognition and influence.

25. In some cases, the North is simply pursuing its own economic interests directly, without particular reference to Seoul. In Iran, for example, North Korea has its sights fixed on hard currency and crude oil. Iran remains the largest buyer of North Korean arms, taking delivery of an estimated \$350 million in military goods in 1984.

26. Elsewhere in the Third World, P'yongyang increasingly is using military assistance, including weapons and training, to strengthen relations. We estimate that P'yongyang has about 700 military personnel assigned overseas, primarily in Africa. This stress on the military dimension results in large measure from the limited economic resources at North Korea's disposal and P'yongyang's modest political appeal. P'yongyang has had its greatest success in offering to train VIP security forces.

27. North Korean advisers are present in several countries where the Soviets or Soviet proxy forces are also active. Although the Korean activities often contribute generally to the local advancement of Soviet or radical state objectives, the Koreans, as far as we can determine, do not usually coordinate their goals or work with the Soviets or their proxies. Typically, P'yongyang conducts independent assistance programs using its own equipment and pursuing its own interests (see annex A). With improving North Korean–Soviet ties, however, we could begin to see more direct coordination in overseas activities.

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The Extent of Change

28. The pressures North Korea faces on the domestic front alone—ensuring the leadership transition and putting its economic house in order—are tasks that, in our view, could dominate P'yongyang's agenda through much of the next decade. At the very least, North Korea will view dealings with the outside world through the prism of these domestic preoccupations.

29. We believe that, in the near to midterm, P'yongyang needs to:

- Improve its image as a means of weakening the West's almost exclusive support for Seoul.
- Solicit new trade with and aid from both the West and the East to boost economic growth.
- Counter the movement of the Communist nations, particularly China, toward expanded dealings, and possibly diplomatic relations, with South Korea.

P'yongyang, in our view, will also continue to reflect on the fact that its previous behavior has not succeeded in resolving the key obstacle to its goal on the peninsula—the US troop presence. P'yongyang would prefer, in our judgment, a direct, bilateral dialogue with the United States, but—as its repeated push for tripartite talks illustrates—is also willing to consider alternatives.

30. Throughout 1984 and the first quarter of 1985, P'yongyang apparently calculated that the needs described immediately above were best served by the conciliatory posture it has been pursuing. But we do not believe that the North has foreclosed any actions. Thus we are not surprised by continuities in policy regarding military investment, competition with Seoul overseas, and denying South Korea full recognition as a legitimate entity. P'yongyang, in our view, is calculating that it cannot depart from past policy in these areas without redefining its larger strategy toward the South.

31. Given what we view, therefore, as a relatively fluid situation in North Korean thinking, P'yongyang's tactics over the next several months could move in one, or perhaps even more than one, of several directions at any given time:

- Progress in the dialogue with the South might be signaled by tighter scheduling of bilateral meetings as well as by moves toward low-level dealings in areas such as trade. More politically sensitive moves, beyond token exchanges of family members, are less likely, in our view, given

the question of control of the North Korean populace this raises.

- North Korea could respond positively to tension-reduction measures proposed by the UN Command-Military Armistice Commission, including the mutual notification of exercises and demilitarization of the DMZ.

32. Such gestures could lead to more meaningful policy changes, but in our view this scenario would unfold gradually, almost certainly beyond the time frame of this Estimate. A commitment to just the experimentation we are now witnessing involves inherent risks, probably making it controversial, and we believe the two Kims are sensitive to the danger of factional opposition to more dramatic policy innovations.

33. We see a number of developments that could lead P'yongyang to back away from its present course:

- Such an outcome could unfold if, for example, Western, particularly US, responses fail to meet North Korean expectations.
- By the same token, should North Korea judge that its dealings with the South had encouraged significantly expanded Communist dealings with the South, we would expect increasing internal pressure to reevaluate recent policy decisions.

34. Changes in the South Korean political scene also could prompt P'yongyang, in our judgment, to review its options again. A more confrontational opposition has emerged against President Chun since the return home of dissident Kim Dae Jung and the assembly elections in February 1985. We believe North Korea senses the potential for frictions emerging between Washington and Seoul over the direction of political events and South Korea's efforts to contain them. P'yongyang can hark back to the late 1970s when domestic South Korean instability contributed to strains in the tie to the United States. The North's bid in April to engage the South Korean opposition in interparliamentary talks suggests that P'yongyang may be adjusting the dialogue to these changing circumstances.

35. South Korea, aware of the need to play to its domestic and international audiences by appearing forthcoming, has displayed a surface flexibility that, in our judgment, is likely to wear thin over time. Seoul's deep-rooted suspicions about the North's motives—reinforced by the Rangoon attack—almost certainly will act to inhibit flexible policy decisions on the

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dialogue. The South Korean leadership fears that the risks in fostering dialogue may be greater than the potential gains:

- It is particularly concerned that the North may succeed in parlaying talks with the South into direct contacts with the United States.
- Seoul both fears a lessening of the US security commitment and opposes any warming of US-North Korean relations without equivalent gestures from P'yongyang's Communist allies in Moscow and Beijing.

36. South Korean concern that tension reduction efforts not benefit North Korea disproportionately, in our view, underlies Seoul's interest in cross-recognition or cross-contact proposals—a plan calling for Chinese and Soviet recognition of Seoul in exchange for US and Japanese recognition of P'yongyang. South Korea seems to realize that full diplomatic recognition of the two Koreas by the major powers is an unrealistic objective at this stage and is advocating a two-tiered process beginning with Japan and China, bringing in the Soviet Union and the United States later.

37. But, beyond questions of reciprocity in contacts, there are other elements in the picture that could prompt a North Korean reversal. South Korea faces vulnerabilities down the line during 1986-88, a time frame that encompasses political transition to a new president as well as greater international visibility as host of the Asian Games in 1986 and the Olympics in 1988. North Korea has already begun a diplomatic campaign to move these events elsewhere. Should these events proceed on schedule, we cannot rule out a worst case scenario in which North Korea's frustration drives it to violent acts against the South. This could take the form of small-scale terrorist actions leading up to the games, another violent episode along the lines of the Rangoon bombing, or even conventional military actions.

Implications

For the Region

38. Even minor improvement in North-South atmospherics would, in our view, increase the temptation for *Japan* to rationalize gestures toward the North. We know that Japanese private-sector negotiations are under way for an exchange of trade offices. These discussions have a life of their own that is somewhat independent of the North-South dynamic, although they are officially sanctioned, and they could well

bear fruit during the time frame of this Estimate. Substantive official gestures are less likely, in our view, in the absence of convincing progress in the North-South dialogue and balancing gestures toward Seoul from the Bloc. We believe Japan recognizes the high price Seoul would extract in its bilateral relations should official Tokyo proceed with overtures toward P'yongyang without coordinating with South Korea.

39. In keeping with its overall policy of reducing tensions on the peninsula, *China* would hail the beginning of concrete exchanges between North and South. Beijing might want to exploit the advent of North-South trade to pursue increased direct trade with South Korea. We believe China's willingness to associate itself with various cross-contact proposals will continue to be limited largely by its perception of China's more important strategic equities in North Korea. In our view, China will continue to follow P'yongyang's lead in this regard, if only to avoid giving the Soviets an opportunity to exploit the triangular relationship.

40. The *Soviet* response to concrete exchanges between North and South would be cautious, conditioned in part by lingering suspicions of the North Korean leadership. Moscow would be likely to assert itself quickly should it perceive the inter-Korean dialogue moving into multiparty discussions. The Soviets would not wish to be shut out of any such broader discussions on the future of the peninsula and would insist on being included, or do their best to ensure talks failed. In the shorter term, Moscow could well view its improving relationship with the North as permitting it to increase contacts with the South. In our judgment, however, Moscow will not want to get out ahead of Beijing lest the Chinese exploit growing Soviet ties to the South.

For the United States

41. P'yongyang's current policy direction offers opportunities to probe for meaningful policy changes in P'yongyang and to encourage the North to move away from a confrontational approach. At this stage we see no evidence that the North's tactical flexibility has acted in any way to foreclose its longstanding reunification goal. Therefore, a key concern for both Washington and Seoul will be to exploit the opportunities for reducing tensions without weakening the collective guard that has helped keep North Korean adventurism in check.

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42. The North's current policy direction is likely to test sorely Seoul's own willingness to contribute to the tension-reduction process and to adopt more creative and risk-taking approaches to the problem. South Korean fears about the process have led to a frequently short-term, tactical approach that works against flexibility. The occasional preemptive forays that have been launched without coordinating with Washington—probing the Japanese on cross-recognition and foreclosing a tripartite forum for talks—are testimony to the depth of South Korean concern.

43. US pressure to introduce greater flexibility in Seoul's approach, as in the past, could become a destabilizing factor in the South Korean domestic picture. Seoul's resistance to US policy initiatives designed to test P'yongyang's intentions added to the domestic problems Park Chung Hee was juggling in the late 1970s, and almost certainly contributed to the difficulties that ultimately led to his assassination. In order to avoid complicating the considerable domestic agenda Seoul faces, any probes toward the North will have to be carefully phrased and timed to retain South Korean confidence in US objectives.

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ANNEX A

North Korean Activity in the Third World

North Korea increasingly is using military assistance, including weapons and training, to strengthen relations in the Third World. We estimate that as of May 1985 about 700 confirmed North Korean military personnel were assigned overseas, primarily in Africa. P'yongyang has had its greatest success in offering to train VIP security forces. Many Third World leaders who feel threatened by domestic unrest or regional rivalries view North Korean military and security assistance as a more acceptable alternative to reliance on the Soviets or the Chinese.

North Korean advisers are present in several countries where the Soviets or Soviet proxy forces are also active, and, although the Korean activities often contribute generally to the local advancement of Soviet objectives, the Koreans, as far as we know, do not usually coordinate their goals or work with the Soviets. With improving North Korean-Soviet ties, we could begin to see more direct coordination in overseas activities.

The stress on the military dimension in bilateral relations results in large part from the limited economic resources at the disposal of North Korea. North Korea can mobilize only a modest economic aid program; it focuses on high-visibility projects—such as sports stadiums, meeting halls, and monuments—that are intended to achieve maximum political benefit at minimal cost. Aid projects rarely exceed a commitment of more than \$1-2 million, with assistance usually taking the form of grant aid or a loan on generous credit terms.

P'yongyang also has little to offer on the political front. North Korea's diplomatic corps lacks finesse and experience and is hindered further by:

- Inadequate funding that forces its missions to resort to black-marketing and smuggling to meet expenses—activities that often lead to serious irritants in relations.
- The requirement that overseas missions sponsor activities glorifying Kim Il-song and his chosen heir, Kim Chong-il. All but a few developing countries view these activities with disdain.
- Virulent attacks against US policies that have led some embarrassed host governments to deny

North Korean diplomats further access to the media.

In one case—that of its arms sales to Iran, which has provided between one-third and one-half of North Korean hard currency foreign exchange earnings over the past several years and totaled more than \$1 billion in transfers since the Persian Gulf war began—the military dimension of P'yongyang's foreign relations is economically profitable. We do not know the terms of P'yongyang's military aid to Nicaragua, which has consisted primarily of a few patrol boats. The more usual motivation of its military assistance programs is to enhance the prestige of North Korea. P'yongyang seeks to do so both to gain stature in the international community and to compete successfully with Seoul for diplomatic recognition and influence.

In the late 1960s and early 1970s, North Korea had extensive dealings with terrorist groups and extremists in Africa, the Middle East, and Latin America. By the mid-1970s, Ghana, Chad, Central African Republic, Mauritania, and Argentina had followed Sri Lanka in suspending relations because of the North's proven or suspected dealings with subversive groups. In recent years, North Korea's quest for international recognition and respect has had some moderating effect on such dealings. Also, as the number of active liberation movements has declined, North Korea has had fewer opportunities to offer covert backing for insurgent groups.

Nonetheless, some support activities still exist:

- In Tanzania [REDACTED] North Korean advisers are training South African insurgents.
- P'yongyang supplies arms and training to the Palestinians. During PLO leader Yasir Arafat's latest visit to P'yongyang in May 1984, Kim Il-song is said to have agreed readily to Arafat's request for additional small arms [REDACTED]

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Status of North Korean Military Activities Overseas

Country	Advisers (number of persons)	Selected Arms Deliveries (since 1975)	Remarks
Benin	25	Patrol boats, small arms	A limited advisory role in training Navy and Presidential Guard.
Burundi	None	Mortars, antiaircraft machineguns	North Korea no longer has any advisers in the country.
Burkina	10 to 20	Trucks, antiaircraft guns, antitank guns, 120-mm mortars, ammunition	Advisers at National Commando Training Center.
Egypt	10	Multiple rocket launchers, field artillery, antiaircraft machineguns	In early 1984, North Korean delegations toured several of Egypt's military-industrial complexes, suggesting increased cooperation in that sector.
Ethiopia	None	Field artillery, small arms	North Korea recently built a small arms factory. At least 100 technicians remain in Ethiopia.
Guyana	None	Patrol boats, artillery, ammunition	Twelve additional advisers arrived in May 1984 to train Guyanese forces on howitzers and antiaircraft guns recently purchased from North Korea. Advisers have departed.
Iran	50 to 100	T-62 tanks, SA-7 surface-to-air missiles, antitank missiles and launchers, small arms, field artillery, mortars, rockets, naval mines	P'yongyang is likely to remain Tehran's chief source of military supplies.
Lesotho	Small number		Hand-to-hand combat instruction.
Libya	Small number	Field artillery, multiple rocket launchers, mortars, antiaircraft machineguns	Since the departure of its pilots in early 1981, P'yongyang has not had a significant military relationship with Libya.
Madagascar	50 to 75	Patrol boats, field artillery, antiaircraft machineguns, four MIG-17 aircraft on loan	North Korean pilots and ground support personnel have become a more or less permanent fixture in Antananarivo.
Malta	None	Antiaircraft guns, small arms	Publicity concerning a "secret" military agreement between P'yongyang and Valletta set off a storm of protest in Malta's parliament in late 1983.
Mozambique	100 *	Patrol boats, field artillery, antiaircraft machineguns	Military advisers are training a "special" army brigade for a counterinsurgency role.
Nicaragua	Small number	Patrol boats, artillery, trucks	Although arms shipments have been limited thus far, a spate of recent high-level military exchanges points to a larger North Korean supply relationship.
PLO	Small number	Artillery, multiple rocket launchers, anti-tank weapons, mortars, antiaircraft machineguns	During a visit in May 1984, Arafat received renewed pledges of support in the form of arms shipments.
Pakistan	None	Artillery, multiple rocket launchers	Although Islamabad was once a major customer, P'yongyang has not had much success in recent years in making arms sales.
Principe and Sao Tome	Small number		Hand-to-hand combat instruction.
Rwanda	Small number	Air defense artillery, small arms, antiaircraft machineguns	A limited advisory presence in recent years.
Seychelles	150 to 180	Antiaircraft machineguns, ammunition	North Korea's advisers are the principal foreign military presence on the islands following the departure of Tanzanian security forces in 1984.

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Status of North Korean Military Activities Overseas (continued)

Country	Advisers (number of persons)	Selected Arms Deliveries (since 1975)	Remarks
Somalia	Small number	Mortars, small arms	Advisers supervise the operation of a North Korean-supplied ammunition factory.
Suriname	None	Small arms, ammunition	Not much progress since a small-arms sale in 1982.
Syria	Unknown	Gunpowder	Most military shipments to the PLO are routed through Syria.
Tanzania	Small number	Field artillery, small arms, ammunition	P'yongyang recently concluded an agreement with Dar es Salaam to construct two small-arms factories.
Togo	6 to 8	Small arms, ammunition	Training Presidential Guard.
Uganda	At least 200	Aircraft spare parts, small arms, ammunition	Providing artillery, infantry, and military intelligence training for the Ugandan Army and Special Police.
Zambia	20 to 40	Field artillery, ammunition	Advisers are training a Zambian commando unit for operations along the northern border with Zaire.
Zimbabwe	30	Rocket launchers, field artillery, anti-aircraft machineguns, small arms, ammunition, trucks, armored personnel carriers	Presence peaked in 1982; now only training newly formed militia force.

* Minimum estimate.

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ANNEX B

Intelligence Gaps on North Korean Political Intentions

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ANNEX C

Possible Signs of Change in North Korean Foreign Policy

Our concern remains being able to spot changes in North Korean behavior and priorities that would signal a willingness to give up the goal of reunification on North Korean terms as a key national priority. Were such a change of thinking to occur, we would anticipate seeing indications manifested in three primary areas: movement toward acceptance of the South as a separate, legitimate state; a reordering of economic investment priorities; and adjustments in the status and size of the military. We would not anticipate that many of these would occur within the 18-month time frame defined by this Estimate. These signs of change attempt to measure shifts in basic political policy; they do not relate to warning of war.

Indicators That Suggest North Korea May Be According South Korea Equal Status

- A significant decrease in derogatory references to South Korea and its government in North Korean propaganda.
- More frequent public references to Seoul and the South Korean Government by official titles.
- Willingness to have the Koreas take up two separate seats as full members of the United Nations.
- An end to efforts to derail the 1988 Seoul Olympics and expression of willingness to participate.
- An end to efforts overseas, particularly in the Third World, to block diplomatic recognition of South Korea.
- Initiation with South Korea of official talks aimed at tension-reduction measures and negotiation of a peace treaty.

- Significant decrease in armed infiltration into South Korea and the building of agent nets in that country.

Indicators That Suggest North Korea May Be Changing Its National Investment Priorities

- Willingness to publish reliable economic data.
- Construction of new light-industry plants.
- Significant decline in party control of economic production and distribution decisions.
- Widespread use of agricultural free markets.
- Improvement in the standard of living.
- Sustained payments on the foreign debt.

Indicators That Suggest North Korea May Be Adjusting Its Military Posture

- Significant manpower reductions in the military.
- Reordering of supply priorities away from the munitions sector to the civilian sector.
- Slowing in the expansion of facilities at weapons plants.
- Slowing in the initiation of new lines of weapons production.
- Slowing in the acquisition and production of weapons systems designed primarily for infiltration purposes.
- Restructuring of military posture and change in exercises from an offensive mode to a more defensive one.

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